



City Light Review Panel Meeting Meeting Minutes

Date of Meeting: April 3, 2018

MEETING ATTENDANCE					
Panel Members:					
Names		Name		Name	
Gail Labanara	√	David Allen	√	John Putz	<i>On phone</i>
Sara Patton	x	Patrick Jablonski	√	Nina Sidneva	<i>On phone</i>
Thomas Buchanan	√	Leon Garnett	√	Cal Shirley	√
Staff and Others:					
Jim Baggs	√	Kim Kinney	√	Karen Reed (Consultant Contractor/RP Facilitator)	√
Calvin Goings	√	Kirsty Grainger	√	Leigh Barreca	√
Robert Cromwell	x	Mike Haynes	√	Maura Brueger	√
Paula Laschober	√	Tony Kilduff	√	Richard Cuthbert	x
Lynn Best	√	Calvin Chow	√	Monica Fontaine	√
Gregory Shiring	√	Darnell Cola	√	Carsten Croff	√
Emeka Anyanwu	√	Amy Wheelless	√		

Welcome. Gail Labanara convened the meeting at 11:03 AM.

Panel Discussion. None

Review of Agenda. Karen Reed reviewed the agenda.

Approval of March 27 Meeting Minutes. Cal Shirley requested clarification of the discussion on where risks faced by the utility will be included in the Strategic plan. A sentence will be added on p. 4 of the minutes to read: "Risks the Utility faces should be presented up front and referred to throughout the document." As amended the meeting minutes were approved.

Public Comment. There was no public comment.

Chair's Report. Gail noted she will join City Light for a presentation to the Council Housing, Health, Energy and Workers' Rights Committee on Thursday regarding strategic plan performance. She also will be attending another meeting this week with respect to the hiring of a new general manager for the Utility. Karen Reed added that Nina Sidneva has announced that she needs to retire from the Panel but has agreed to stay on through delivery of the Panel's letter at the end of May.

Communications to Panel. There were no communications to the panel.

SCL in the news and other updates. Jim Baggs noted that he has launched a series of all employee meetings. Employees are able to submit questions in advance. At the meetings, Jim makes a presentation, followed by an extended Q & A session. Employees have submitted many good questions.

Other communications/information. No additional communications/information items.

Draft Strategic Plan Outline. Leigh Barreca presented the outline of the strategic plan, revised per input from



City Light Review Panel Meeting Meeting Minutes

the Panel at its last meeting. A full draft of the plan will be available to the panel prior to its April 24th meeting. Discussion points included:

- Panel desires to see the plan before finalizing its letter.
- The forecast correction should be highlighted in the executive summary under the challenges discussion.
- The challenges should be further expounded upon in an early section of the plan.
- The financial discussion will highlight what is driving up the rates.

Revised Financial Forecast. Kirsty Grainger and Paula Laschober presented some pages of the updated financial forecast highlighting changes made to the version the Panel reviewed last month. Discussion points included:

- Need to decide if the situation where we are not meeting policy on how much of capital is paid for by cash is a temporary situation or if a policy change is needed.
- Staff will add a note on what CPI index is being used.
- The table on the last page will be deleted.
- What is the story we are trying to convey?
- How credible is the new forecast? A: We have more confidence in this new updated forecast than the prior forecast.
- What happens if the forecast is too conservative? A: The Utility pays down debt when revenues exceed the forecast.
- Can this document provide more details on the current CIP?
- Please provide the Panel with a copy of the overview of the Current Adopted CIP. **Staff will forward this by email to the Panel.**
- It would help to include a high-level explanation of capital expenditures since 2010 and the larger context on the capital spend rate, historically and looking into the future.
- Capital spending continues to be the main cost driver, as was true six years ago.

Panel Discussion: Subjects to Address in Panel Letter. Karen reviewed the mission of the Panel with regard to the letter. She asked each Panel member to offer thoughts on what is important for them to express in the letter. Discussion points included:

- Want the panel to be cohesive in its recommendations
- Concern about the rate path: the load forecast is down, revenues are down and so rates keep going up more as a result. It's time for something to change.
- Appreciate rate smoothing presented.
- Again, this round, we have the same challenges in terms of fixed cost versus a rate structure based almost entirely on variable costs.
- Concern about the impact on industrial customers who may leave due to the growth of electricity rates. Nucor has about 200 facilities across the country and SCL's rates are the highest.
- What really are the risks of firms like Nucor leaving? How many jobs in the service area are attributable to manufacturing and industrial firms? What would the revenue loss be to SCL be if these firms left? How real is this risk?
- Reiterate concern about the rate path. Not being adequately addressed.
- 2010 was the last global benchmarking effort. We need to do something like that again.
- The cuts proposed by SCL were not politically tenable.



City Light Review Panel Meeting Meeting Minutes

- There is not enough focus on cost control.
- A disciplined focus on cost control is necessary to support resilience of the utility.
- Letter should note that there are things in place that are on the right track – such as progress on the initiatives.
- Letter should note successes from the last plan.
- Changes in the energy market are important and we should say why: they create an increased risk of losing customers. There is an equity impact of stranding the less wealthy customers if the wealthy are able to opt out since so many of the Utility's costs are fixed. The risks arise from things like distributed generation, battery storage and bill aggregators that take over customer metering.
- Opportunities should be noted, not just challenges, but don't really know what they are.
- Clarify that the plan is a 6-year plan with rolling 2-year updates.
- In a larger sense, our rates in Seattle are low.
- Note the importance of resilience during a chaotic time. This requires rate control, stewardship of assets, care for employees.
- Note that stewardship of assets has been an important focus of SCL leadership in recent years.
- There is a global transition away from carbon and the Utility is participating in that and we should be proud of that.
- Call out the importance of the UDP and beyond, the need to pay attention to the level of customer service provided to low income customers. These things can have transformational impact.
- Like the detail in the plan. Make it understandable to the public—they don't necessarily know what a megawatt is, for example
- Important to reference green power, renewables, transit electrification – these issues are of importance, larger than SCL, and require partners.
- Identify job losses if industry leaves.
- Support goals and priorities and initiatives.
- I support increases in rates as necessary to the functioning of the utility.
- Debt service is the biggest driver of rates.
- Explain what happens if rates are not increased—if we cut CIP, salaries, etc.? True costs need to be explained.
- A land sale will help adjust costs and meet utility needs
- The Panel's process was hamstrung by late delivery of the forecast.
- There is a big issue about how we manage under the new forecast. We need to tackle this head-on and this is not happening enough, needs more focus.
- Include recognition of the big drivers on rates: forecast, debt. The challenge is making this fit. We don't have a good answer here.
- I support the initiatives.
- Need a more robust focus on utility of the future.

Karen then led the group through a review of the proposed outline of the Panel's letter on the strategic plan. Discussion points included:

- Panel supports the plan with concern about the rate path.
- Move discussion of changes in energy markets / context to challenges section.
- Residential energy efficiency potential has levelled off
- Crux of the challenge is the load forecast decline. Explain why this is happening despite booming economy.



City Light Review Panel Meeting Meeting Minutes

- Do note central city charges impacting rates. These are currently not w/in the City Light's control
- Note implications of a massive drain of skilled trades—these folks are not easy to replace. It is difficult to do succession planning under current labor rules.
- Note importance of outreach and potential disconnect with results of that effort since it didn't include the proposed rate path.
- Note importance of having a 6 year look at operations/capital.
- UDP is an important success to note.
- Climate adaptation plan was proposed in 2012 plan and has been completed—a success.
- Challenges should note that land sales not moving.
- Opportunities could include EIM and other revenue opportunities, as well as the electrification of transportation sector.
- Note shift in priorities of plan.
- Affordability concern is about how the rates are increasing much more than inflation.
- The "continuing core business" pillar reflects the success of the prior plan.
- Under baseline, only mention the overall concern about rate of growth in baseline costs and why that is happening.
- Need more focus on utility of the future.
- Under initiatives, note that some are the result of city policy decisions: we understand the strong policy support, but these are places where there is an opportunity to reduce costs of the utility because they are discretionary (relates specifically to initiatives 6 and 7).
- Under rates initiative, perhaps we should be considering packages of rates that allow customers to pick green power option and pay more.
- Note need to address rate structure.
- Note distinction between rate path and customer bills impacts when customers conserve.

Karen will draft a letter and have it first reviewed by Gail and Patrick. The first draft should go out to the full panel next week. They should send comments back and Karen will incorporate so that Panel has a revised draft before it on April 24.

The meeting was adjourned at 2:00 PM